

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L COPENHAGEN 1960

DEPARTMENT PASS TREASURY

USEEC ALSO FOR EMBASSY

EO 11652: GDS
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SUBJ: EC FINANCE MINISTERS' MEETING MARCH 20
REF: BRUSSELS 5612

1. ON MAR 22 DANISH FINANCE MINISTRY PERMANENT UNDER SECRETARY
ERLING JORGENSEN REVIEWED WITH AMBASSADOR AND ECON COUNSELOR THE
OUTCOME OF THE JUST COMPLETED EC FINANCE MINISTERS' MEETING IN
BRUSSELS WHICH WAS CHAIRED BY THE DANES.
2. REGARDING THE ATMOSPHERE OF THE MEETING, JORGENSEN SAID THAT
IT WAS IMPORTANT TO CORRECT THE MISLEADING PICTURE PAINTED BY THE
MAR 21 LONDON FINANCIAL TIMES IN ITS FRONT-PAGE ARTICLE HEADLINED
"BONN BLOCKS EEC ACTION ON ECONOMIES". WHILE THE GERMANS DID NOT
COMMIT THEMSELVES TO UNDERTAKE ANY GROWTH MEASURES, JORGENSEN
SAID, THEY WERE MODERATELY FORTHCOMING IN AGREEING TO WORK WITH
THE EC COMMISSION IN TRYING TO DETERMINE WHAT EACH MEMBER CAN DO
TO PROMOTE GROWTH AND IN SUPPORTING INCREASED AID FROM MEMBER
COUNTRIES TO THE DEVELOPING WORLD. GERMANY, HE STRESSED, DID NOT
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"BLOCK" ANYTHING THAT THE DANISH CHAIRMAN OF THE MEETING (FINANCE
MINISTER HEINESEN) HAD RAISED, AND GERMANY JOINED WITH THE OTHER
IN SUPPORTING THE CHAIRMAN'S CONCLUSIONS (SEE PARA 3 BELOW).
HEINESEN HAD NOT EXPECTED ANY DRAMATIC PROGRESS, WAS NOT SURPRISED
THAT THE GERMANS DID NOT COMMIT THEMSELVES TO FURTHER GROWTH
MEASURES, AND FELT THAT THE RESULTS WERE "AS GOOD AS COULD BE
EXPECTED". HEINESEN, ACCORDING TO JORGENSEN, BELIEVES THAT THE

MAIN ACCOMPLISHMENT WAS THE ESTABLISHMENT OF A BASIS FOR "A COMPREHENSIVE, CONCERTED ENDEAVOR TO PROMOTE AN UPSWING IN WESTERN EUROPE".

3. JORGENSEN SAW THE FOLLOWING, REFLECTED IN THE CHAIRMAN'S CONCLUSIONS, AS THE MOST POSITIVE ASPECTS OF THE MEETING:

A. STEPS EACH COUNTRY CAN TAKE TO PROMOTE EUROPEAN GROWTH -- ALL MEMBER COUNTRIES AGREED TO EXPLORE MEASURES THAT EACH CAN TAKE TO PROMOTE GROWTH IN THEIR INDIVIDUAL ECONOMIES. THEY AGREED TO DISCUSS THIS WORK WITH EC COMMISSION OFFICIALS, WHO WILL VISIT THE RESPECTIVE CAPITALS, AND TO REMAIN IN "CONSTANT TOUCH" WITH THE COMMISSION. WHILE THE GERMANS DID NOT COMMIT THEMSELVES TO SPECIFIC MEASURES, THEY NEVERTHELESS DID ACCEPT THIS PROCEDURE. IN THE CONTEXT OF GROWTH THE FINANCE MINISTERS TOUCHED ON REGIONAL FUNDS ("THAT EVER RECURRING ITEM", JORGENSEN OBSERVED) AND RESTRUCTURING OF EUROPEAN INDUSTRIES.

B. SUPPORT FOR THE MTN -- THE FINANCE MINISTERS REAFFIRMED THEIR SUPPORT FOR TRADE LIBERALIZATION THROUGH THE MTN AND FOR CURRENCY STABILIZATION. THE MINISTERS SAW PROGRESS ON TRADE AS NECESSARY TO WORLDWIDE ECONOMIC RECOVERY. DURING THE CURRENCY DISCUSSIONS, WHICH WERE NOT DETAILED, IT WAS NOTED THAT THE WEAKNESS OF THE US DOLLAR WAS DETRIMENTAL TO ECONOMIC GROWTH IN EUROPE.

C. AID TO DEVELOPING COUNTRIES -- THE MINISTERS SAW INCREASED AID TO THE LDCS AS ANOTHER PREREQUISITE TO INTERNATIONAL ECONOMIC HEALTH. JORGENSEN SAID THAT THIS IS THE FIRST TIME THAT THE GERMANS HAVE AGREED TO THIS CONCEPT. HE BELIEVES THAT THEIR CONCURRENCE MAY HAVE BEEN PROMPTED BY A DESIRE TO PUT PRESSURE ON CONFIDENTIAL

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JAPAN TO INCREASE JAPANESE SUPPORT TO NEEDY COUNTRIES.

D. ENERGY -- THE NEED FOR ENERGY CONSERVATION IN EUROPE WAS DISCUSSED. REFERENCE WAS MADE TO THE FACT THAT ENERGY DEVELOPMENTS IN THE US HAVE AN IMPORTANT BEARING ON WHAT HAPPENS IN THE EC.

E. GENERAL ECONOMIC REVIVAL -- THE ABOVE POINTS WERE DISCUSSED AGAINST THE BACKGROUND OF THE NEED FOR BROAD EC AND INTERNATIONAL GROWTH. THE BRITISH AND FRENCH, JORGENSEN SAID, VOICED THEIR EXPECTATIONS FOR EVIDENCE OF ACTION BY MID-YEAR. LACK OF PROGRESS WOULD AFFECT THEIR POSITIONS ON MATTERS SUCH AS MTN.

4. JORGENSEN OBSERVED THAT THERE WAS BY-PLAY IN CORRIDOR DISCUSSIONS NOT DIRECTLY REFLECTED IN THE CHAIRMAN'S CONCLUSIONS. THE DANES, FOR EXAMPLE GAINED THE IMPRESSION FROM THE SCHMIDT-CALLAGHAN TALKS THAT THE UK IS PREPARED TO PRESSURE GERMANY TO ADOPT MEASURES FOR GREATER GROWTH. WITH ELECTIONS NOT FAR OFF, THE BRITISH NEED ENHANCED EXPORT POSSIBILITIES. JORGENSEN ALSO STATED THAT THE BRITISH GOVERNMENT WILL ON APRIL 11 BE SUBMITTING AN EXPANSIONARY BUDGET, AND THEY WANT OTHERS TO DO THE SAME. (THERE ARE HINTS, HE SAID, THAT THE UK BUDGET WILL BE SPLIT INTO TWO PARTS. THE PART IMPLEMENTED FIRST WOULD BE CAUTIOUSLY STIMULATIVE WITH THE SECOND PART PROVIDING MORE VIGOROUS STIMULATION CLOSER TO ANTICIPATED GENERAL ELECTIONS.)

5. WITH REGARD TO MTN, JORGENSEN THINKS THAT BOTH THE BRITISH AND

THE FRENCH WILL NOT BE EASY NEGOTIATORS. THE BRITISH, HOWEVER, WILL COME AROUND IF THEY SEE EVIDENCE TO SUPPORT THEIR HOPES FOR INCREASED EXPORTS. THE FRENCH POSITION WILL IN PART DEPEND ON THE COMPOSITION OF THE FRENCH GOVERNMENT RESHUFFLED AS A RESULT OF THE ELECTIONS. UNDER THE BEST OF CIRCUMSTANCES, JORGENSEN SAID, THE FRENCH ARE DIFFICULT AND CHAUVINIST.

6. JORGENSEN STATED THAT THE CHAIRMAN'S CONCLUSIONS WOULD BE PRESENTED TO EC HEADS OF STATE FOR DISCUSSION AT THE APRIL EC "SUMMIT MEETING" IN COPENHAGEN APRIL 7 AND 8. THE DANES, HOWEVER, CANNOT PREDICT WHERE THESE TALKS WILL LEAD. DEAN

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